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TO: All Freddie Mac Sellers and Servicers

July 21, 2006

Subject: Reminder to Sellers of requirement to deliver complete and accurate data, and a reminder to Sellers that Mortgages secured by units in a condominium hotel are not eligible for sale to Freddie Mac

Freddie Mac has always required that Sellers deliver complete and accurate Mortgage data. We depend on the accuracy of this data for many purposes. Because of our use of the Mortgage data in our operational transaction and financial reporting systems, we are reminding Sellers of the importance of, and requirements for, complete and accurate Mortgage data.

As stated in our *Single-Family Seller/Servicer Guide* (Guide), a Seller represents and warrants that all data and/or other information submitted to Loan Prospector and/or provided to Freddie Mac in connection with the sale of Mortgages to us is complete and accurate. This includes representations and warranties regarding accuracy and completeness of Borrower income and assets information and information about the Mortgaged Premises. As part of our normal Mortgage quality control reviews, we have observed instances of inaccurate or missing Mortgage data.

With this Industry Letter, Freddie Mac is reminding its Sellers of our Guide requirements for complete and accurate data for all Mortgages and highlighting our provisions requiring that:

- Mortgages secured by Manufactured Homes be properly identified when submitted to Loan Prospector and when sold to us
- Mortgages with secondary financing be properly identified and information regarding the secondary financing sources and amounts for those Mortgages be provided when these Mortgages are sold to us
- Mortgages secured by Condominium Units be properly identified when sold to us

Freddie Mac is also reminding Sellers that a Mortgage secured by a unit in a condominium hotel is not eligible for sale to Freddie Mac.

Mortgages secured by Manufactured Homes

Freddie Mac is committed to providing financing for affordable housing that meets the needs of low- to moderate-income Borrowers. In support of this commitment, we actively participate in the secondary market for Mortgages secured by Manufactured Homes.

A Manufactured Home is a one-unit dwelling built on a permanent chassis in accordance with the National Manufactured Construction and Safety Standards Act as promulgated by the Department of Housing and Urban Development (HUD) and affixed to a permanent foundation.

Identifying Manufactured Homes in Loan Prospector

Mortgages secured by Manufactured Homes must be submitted to Loan Prospector. Sellers must ensure that Mortgages secured by Manufactured Homes submitted to Loan Prospector are

identified properly. When submitting to Loan Prospector, there are two property type categories for Mortgages secured by Manufactured Homes:

- Single-wide—a one-unit dwelling comprised of a single section
- Multi-wide—a one-unit dwelling comprised of multiple sections

Accurate data and accurate data entry are critical for Mortgages submitted to Loan Prospector. Sellers may refer to Guide Section 2.2.1 for our requirements for Mortgages submitted to Loan Prospector.

Identifying Manufactured Homes at delivery to Freddie Mac

A Seller agrees to sell Mortgages in accordance with the terms of each Purchase Contract entered into between the Seller and Freddie Mac. For each Mortgage sold to Freddie Mac, Guide Section 17.3 requires that Sellers provide the Mortgage data specified on:

- Either the:
 - Form 11, Mortgage Submission Schedule, for fixed-rate Mortgages and Balloon/Reset Mortgages, or
 - Form 13SF, Mortgage Submission Voucher, for adjustable-rate Mortgages (ARMs), and
- Form 381, Contract Delivery Summary, for Mortgages delivered through MIDANET® (For Mortgages sold through the Selling System, the Form 381 is not required.)

As stated in Guide Section 17.33, when delivering Mortgages secured by Manufactured Homes, the Seller must complete certain fields of the Form 11 or Form 13SF as follows:

Field Title	Completion Instructions
Property Type Code for Manufactured Homes	4
Special Characteristics Code for:	
• Manufactured Homes, single-wide	951
• Manufactured Homes, multi-wide	952

If the Mortgage is secured by a Manufactured Home located in a Condominium Project or a Planned Unit Development (PUD), Property Type Code 4 must be delivered (instead of Property Type Code 1 (Condominium) or Property Type Code 3 (PUD)).

Sellers must complete the Form 11 and Form 13SF with the property type code and applicable special characteristics code when selling Mortgages secured by Manufactured Homes to us.

Mortgages with secondary financing

Freddie Mac purchases first lien Mortgages with secondary financing under the terms of a Seller’s Purchase Documents, including Guide Chapter 25. The presence of secondary financing increases the layering of risk on a Mortgage, making it important that the secondary financing is accurately identified and reported to Freddie Mac. Among other requirements, terms of secondary financing must be disclosed on Form 65, Uniform Residential Loan Application, to the appraiser and to the mortgage insurer, and payments on the secondary financing must be included in a Borrower’s monthly housing expense.

Freddie Mac assesses a special postsettlement delivery fee (delivery fee) for certain Mortgages with secondary financing (see Guide Exhibit 19, Postsettlement Delivery Fees). Sellers are required to pay delivery fees as described in Guide Section 17.2.

Identifying secondary financing at delivery

Sellers must properly identify Mortgages with secondary financing that are sold to Freddie Mac by completing the Form 11 and Form 13SF fields relating to “Secondary Financing Sources” and “Secondary Financing Amounts.” Separate, similar fields relating to the sale of a Mortgage with secondary financing that is an Affordable Second must also be completed, when applicable.

Mortgages secured by Condominium Units

Guide Section 17.22 provides special delivery requirements for Condominium Unit Mortgages. Sellers are reminded that they must complete the required fields of Form 11 and Form 13SF in connection with the sale of such Mortgages. Specifically, Guide Section 17.22(b) contains requirements that include completion of the fields titled Condo/PUD Name and Condo/PUD Class. In addition, when completing the “Property Address” field for Condominium Unit Mortgages, Sellers must include the Condominium Unit number, if applicable.

Freddie Mac views the failure to completely and accurately identify and deliver Mortgages as a breach of a Seller’s representations and warranties.

Ineligibility of Mortgages secured by units in a condominium hotel

Freddie Mac’s purchase of Mortgages secured by Condominium Units supports our commitment to meeting the needs of low- and moderate-income Borrowers, particularly in high-cost areas. In recent years, condominiums have also become increasingly popular with Borrowers purchasing a second home and investors, particularly in resort locations. This growth in condominium purchases in resort areas has been accompanied by an increase in condominium hotel projects located in those areas. Due to these market changes, we are reminding Sellers of Freddie Mac’s existing Guide requirements providing that a Mortgage secured by a unit in a condominium hotel is ineligible for purchase by Freddie Mac.

Guide Section 42.3 sets forth Freddie Mac’s definition of a condominium hotel and lists a number of factors to be considered in determining whether a project should be classified as a condominium hotel.

Streamlined review for attached Condominium Units

As provided in Guide Section 42.1, Seller’s representations and warranties with respect to Condominium Unit Mortgages sold to Freddie Mac must be based upon the Condominium Constituent Documents, any written agreements with the Condominium Project homeowners association in favor of all Mortgages of the Condominium Units, and State law, or a combination thereof. Sellers must perform an underwriting analysis to determine that the Condominium Project satisfies Freddie Mac requirements for all Mortgages secured by individual Condominium Units sold to Freddie Mac.

The requirements above apply to all Condominium Unit Mortgages, including Mortgages that are eligible for streamlined review, as described in Guide Section 42.4. When a Seller delivers a Condominium Unit Mortgage pursuant to a streamlined review, the Seller warrants that:

- The Condominium Unit Mortgage is not secured by a Manufactured Home
- The subject legal phase including all units, common elements and amenities is complete
- The general warranties of Guide Section 42.2 for the Condominium Project and Condominium Unit Mortgages are met, including the representation and warranty of Guide Section 42.2(e) that the Condominium Project is not an ineligible project

Freddie Mac requirements for second homes, including second home Condominium Unit Mortgages

With respect to Condominium Unit Mortgages secured by second homes, Guide Section 22.22(a) requires that Mortgages on second homes eligible for sale to Freddie Mac must:

- Comply with Guide Section 23.4 or the maximum LTV, TLTV and HLTIV ratio requirements for certain Mortgage products or offerings found in other Guide chapters
- Be secured by a 1-unit property owned by an individual who is also the Borrower, occupied by the Borrower for some portion of the year and
- Not be subject to any timesharing ownership arrangement

The property must also:

- Be in such a location as to function reasonably as a second home (i.e., remote in distance from the Borrower's Primary Residence)
- Be suitable for year-round occupancy
- Be available for the Borrower's exclusive use and enjoyment
- Not be subject to any rental pools or agreements that require the Borrower either to rent the property or give a management firm control over the occupancy of the property

Freddie Mac's determination of whether a property is a second home is conclusive. A two-unit property used as a second home is considered an Investment Property and must meet all of the requirements of Guide Section 22.22.1.

Completion of Form 3890, Multistate Second Home Rider

As stated in Guide Sections 6.7 and 22.22(c), Sellers are required to ensure that Borrowers execute Form 3890, Multistate Second Home Rider, for all Mortgages secured by second homes. This rider supports Freddie Mac's requirements with respect to Borrower exclusive use and enjoyment of the second home and the ineligibility of Mortgages secured by second homes subject to rental pools or other similar agreements.

Conclusion

Freddie Mac is committed to its mission of providing liquidity, stability and affordability to the housing market. We know that our Sellers also support this mission and understand the importance of delivering accurate and complete data. In addition to other remedies available to Freddie Mac under the Guide, incorrect or missing loan information may result in termination of representation and warranty relief for Mortgages submitted to Loan Prospector, and incorrect or missing loan or delivery information may result in rejection of the Mortgage(s) involved if discovered before purchase, or repurchase of the Mortgage(s) involved if discovered after purchase. Freddie Mac may pursue all remedies available to us under the Guide, including repurchase of the Mortgage involved, when ineligible Mortgages are sold to us.

For answers to questions about Freddie Mac's data delivery requirements and requirements with respect to the purchase of Condominium Unit Mortgages, Sellers should call their Freddie Mac representative or (800) FREDDIE.

Sincerely,



James J. Cotton
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Single-Family Marketing